

INGHAM INTERMEDIATE SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ingham Intermediate School District
Mason, Michigan

October 8, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ingham Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Ingham Intermediate School District

October 8, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, on our consideration of Ingham Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 22 through 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ingham Intermediate School District's basic financial statements. The additional information on pages 26 and 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costeniser & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Ingham Intermediate School District's (ISD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

FINANCIAL HIGHLIGHTS

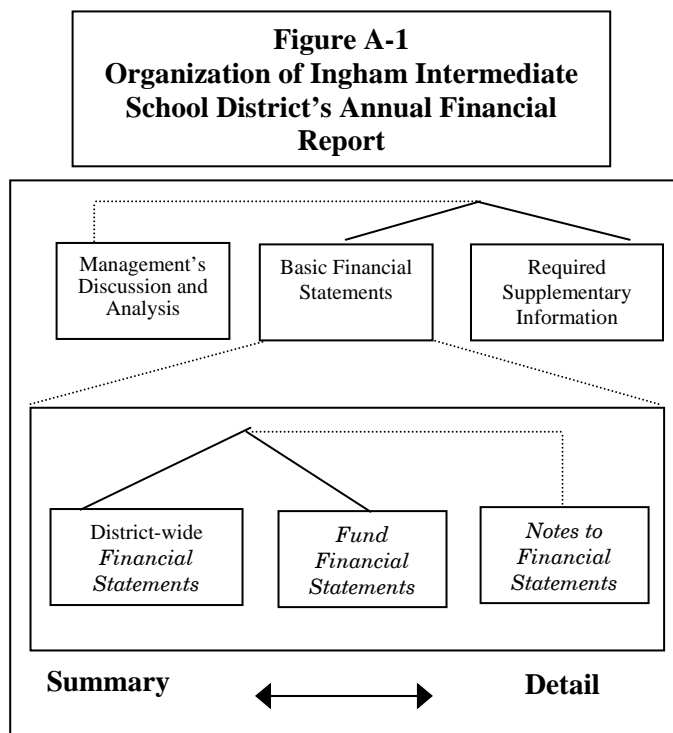
- The overall condition of all funds and governmental activities remains strong for the District.
- Total **General Education fund** revenues were \$11.7 million dollars. Revenues for the 2006-07 year increased 22% and expenditures increased 20% from the previous year amounts. The increases were a result of increased grant revenue and expenditures.
- Total **Special Education fund** revenues were \$68.5 million dollars. Revenues for the 2006-07 year increased 3% from the previous year and expenditures also increased 3% from the same period.
- Total **Career Services and Technical Education fund** revenues were \$10.1 million dollars. Revenues and expenditures for the 2006-07 year were approximately the same as the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like general and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships which the District acts solely as the trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report



are arranged and related to one another.

<p style="text-align: center;">Figure A-2 Major Features of District-Wide and Fund Financial Statements</p>			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not fiduciary: General, Special Education, Career Services and Technical Education, and Capital Projects	Instances in which the district administers resources on behalf of someone else, such as professional organizations and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Ingham ISDs funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The district-wide statements report the District’s *net assets* and how they have changed. Net assets - the difference between the District’s assets and liabilities - are one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

The district-wide financial statements reflect the District’s governmental activities.

Governmental activities - Most of the District's basic services are included here, such as general education, special education, career services and technical education. Property taxes, state aid, grants, and user fees finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are the accounting method used by the District to keep track of specific sources of funding and spending on particular programs:

- State law requires some funds.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Ingham ISD's combined net assets on June 30, 2007 were \$12,421,493. This was a decrease from the year before, when the combined net assets were \$12,745,205.

Table A-3		
Ingham Intermediate School District Net Assets		
	2007	2006
Current or other assets	\$ 24,008,141	\$ 21,959,913
Capital assets	8,136,556	8,057,218
Total assets	32,144,697	30,017,131
Long-term debt outstanding	3,771,014	3,435,491
Other liabilities	15,952,190	13,836,435
Total liabilities	19,723,204	17,271,926
Net assets		
Invested in capital assets, net of related debt	7,855,255	7,775,827
Unrestricted	4,566,238	4,969,378
Total net assets	\$ 12,421,493	\$ 12,745,205

Table A-4		
Changes in Ingham Intermediate School District's Net Assets		
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 4,831,601	\$ 4,480,125
Federal and state categorical grants	15,465,336	15,077,489
General revenues		
Property taxes	49,461,907	47,061,522
State aid - unrestricted	16,380,075	15,356,297
Grants and contributions -		
unrestricted to specific programs	2,314,768	2,323,248
Other	1,573,610	1,177,002
Total revenues	90,027,297	85,475,683
Expenses		
Instruction	12,199,845	10,794,477
Support services	35,644,901	33,752,021
Community services	1,142,716	951,941
Outgoing transfers and other	40,826,445	39,573,654
Interest on long-term debt	91,533	102,577
Unallocated depreciation	445,569	439,331
Total expenses	90,351,009	85,614,001
Change in net assets	\$ (323,712)	\$ (138,318)

District Governmental Activities

The following factors have positively influenced Ingham ISD's financial status.

- The stable growth of property tax revenue, which is a major source of revenue for the General, Special, and Career Services and Technical Education funds.
- Fund balance reserves in General Education and Career Services and Technical Education that are adequate and allow for a planned use of fund balance to provide resources for progressive programming and operations.
- A Special Education ISD Plan with constituent districts that provides for adequate fund balance and cash flow, while maximizing payments to districts.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial stability of Ingham ISD as a whole, as reflected in the district-wide statements noted above, is also reflected in the governmental funds. As Ingham ISD completed the year, its governmental funds reported *combined* fund balances of \$8,355,330 which is \$218,828 less than last year's combined ending fund balance of \$8,574,158.

The three major governmental funds, the General Education fund, the Special Education fund, and the Career Services and Technical Education fund had expenditures and other financing uses greater than revenues and other financing sources, which resulted in fund balance reductions of \$118,880, \$56,775, and \$191,642, respectively. The fund balance in the Special Education Fund is, by design, a specific targeted amount. After the maintenance of the targeted amount, which was \$443,225 at June 30, 2007, available revenues in the Special Education fund are paid as outgoing transfers to constituent districts as reimbursement toward special education costs incurred in the districts. The Capital Projects fund, a non-major governmental fund, had incoming transfers in excess of expenditures which contributed to a \$148,469 increase in fund balance at year end.

During 2006-07, the original Ingham ISD budget was amended twice.

General Fund Budgetary Highlights

The General Education fund ended the 2006-07 fiscal year with a fund balance of \$2,446,842, which was a \$246,218 improvement over the budgeted ending fund balance. Total revenue of \$11.723 million was less than total expense of \$11.842 million, resulting in a \$118,880 reduction in fund balance for the year.

- Actual operational revenue was \$34,186 more than budgeted, which is less than a 0.4% budget variance.
- Actual operational expenses were \$ 212,032, or 2% less than budgeted
- Grant revenues and expenses had budget variances of \$151.

Special Education Fund Budgetary Highlights

The Special Education fund ended the 2006-07 fiscal year with a fund balance of 443,225. Total revenue of \$68,463 million was less than total expense of \$68.519 million, by \$56,775, which was the planned use of fund balance, and maintained the targeted fund balance of \$443,225 at June 30, 2007.

- The positive budget variance for operational revenue was \$1,206,383, which is a budget variance of 2%.
- Special Education operational expenditures had a 2% negative budget variance due to the overall increase in outgoing transfers to districts based on the increased revenues available.
- Grant revenues and expenses had budget variances of \$78,386 or 0.7%, which was primarily due to the timing of expenditures for multi-year grants.

Career Services and Technical Education Budgetary Highlights

The Career Services and Technical Education fund ended the 2006-07 fiscal year with a fund balance of \$4,208,471, which is an improvement of \$478,171 over the budgeted ending fund balance. Total revenue of \$10.066 million was less than total expense of \$10.257 million, resulting in a decrease in fund balance of \$191,642.

- Actual operational revenue was \$165,612 more than budgeted, which represents a budget variance of 2%.
- Operational expenses were \$312,559 less than budgeted, or a 3% positive budget variance.
- Grant revenues and expenses had budget variances of \$3,930, or 0.3%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007 the District had a net investment of \$8.137 million in a broad range of capital assets, including school buildings, computer equipment and administrative offices (see Table A-5). This amount is net of accumulated depreciation of \$9.827 million. Depreciation expense for the year was \$445,569.

Table A-5		
Ingham Intermediate School District's Capital Assets		
<i>(net of depreciation)</i>		
	2007	2006
Land	\$ 373,292	\$ 373,292
Site improvements	543,882	601,883
Buildings and additions	6,404,442	6,213,238
Furniture and equipment	814,940	868,805
Total	<u>\$ 8,136,556</u>	<u>\$ 8,057,218</u>

The District's fiscal year 2007-08 budgets anticipate total capital asset expenditure from the three major governmental funds of \$684,307, primarily for the purchase of equipment, technology and building improvements.

Long-term Debt

At year-end the District had \$3.87 million in limited obligation bonds and other long term debt outstanding, compared to \$3.78 million outstanding at the end of fiscal year 2005-06. The District repaid no principal during fiscal year 2006-07, due to the State of Michigan's refinancing of the underlying Durant debt.

FACTORS BEARING ON INGHAM ISD'S FUTURE

Ingham ISD's current financial position and future financial outlook is positive. Property taxes are a significant source of revenue for the three major governmental funds and provide a stable, and historically increasing, revenue source. However, given the current economic climate in mid-Michigan the District has projected a slower rate of growth in the future for property taxes, and as a result is planning for a combination of fund balance use and expenditure reductions to ensure the long-term financial health of the District. The District is committed to maintaining the financial viability to fulfill our mission, which is to create and enhance educational opportunities for all learners.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Ingham Intermediate School District, 2630 W. Howell Road, Mason, MI 48854.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash on hand and in bank	\$ 981,429
Investments	14,523,798
Accrued interest receivable	10,737
Accounts receivable	1,807,440
State aid receivable	2,564,083
Due from funding agencies - grants	3,501,577
Property taxes receivable	356,894
Prepaid expenses and deposits	262,183
TOTAL CURRENT ASSETS	24,008,141
NONCURRENT ASSETS:	
Capital assets	17,964,014
Less accumulated depreciation	(9,827,458)
TOTAL NONCURRENT ASSETS	8,136,556
TOTAL ASSETS	\$ 32,144,697
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Checks written against future deposits	\$ 785,790
Accounts payable	2,032,094
Accrued interest	486,936
Accrued salaries and related items	2,753,568
Due to local school districts	6,486,923
Deferred revenue	1,111,092
Reserve for school based health services	2,195,787
Current portion of long term obligations	100,000
TOTAL CURRENT LIABILITIES	15,952,190
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	2,813,014
Noncurrent portion of compensated absences and termination benefits	958,000
TOTAL NONCURRENT LIABILITIES	3,771,014
TOTAL LIABILITIES	19,723,204
NET ASSETS:	
Invested in capital assets net of related debt	7,855,255
Unrestricted	4,566,238
TOTAL LIABILITIES AND NET ASSETS	\$ 32,144,697

See notes to financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 12,199,845	\$ 2,978,249	\$ 1,070,181	\$ (8,151,415)
Support services	35,644,901	1,853,352	1,971,456	(31,820,093)
Community services	1,142,716		1,141,723	(993)
Outgoing transfers and other	40,826,445		11,281,976	(29,544,469)
Interest on long term debt	91,533			(91,533)
Unallocated depreciation	445,569			(445,569)
Total governmental activities	<u>\$ 90,351,009</u>	<u>\$ 4,831,601</u>	<u>\$ 15,465,336</u>	(70,054,072)
General revenues:				
Property taxes, levied for general purposes				1,669,985
Property taxes, levied for special education				39,732,525
Property taxes, levied for career services and technical education				8,059,397
Investment earnings				1,458,221
State sources				16,380,075
Grants and contributions not restricted to specific programs				2,314,768
Other				<u>115,389</u>
Total general revenues				<u>69,730,360</u>
CHANGES IN NET ASSETS				(323,712)
NET ASSETS, beginning of year				<u>12,745,205</u>
NET ASSETS, end of year				<u>\$ 12,421,493</u>

See notes to financial statements.

INGHAM INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

		Special revenue		Other nonmajor governmental funds - 2003 Capital Projects fund	Total governmental funds
	General fund	Special education fund	Career services and technical education fund		
ASSETS					
Cash on hand and in bank	\$ 71,040	\$ 70,743	\$ 249,494	\$ 590,152	\$ 981,429
Investments	2,973,592	6,317,395	4,540,432	692,379	14,523,798
Accrued interest receivable	2,708	2,766	4,612	651	10,737
Accounts receivable	257,273	1,547,060	3,107		1,807,440
State aid receivable	247,265	2,316,818			2,564,083
Due from funding agencies	741,273	2,493,223	267,081		3,501,577
Property taxes receivable	12,855	305,501	38,538		356,894
Prepaid expenditures and deposits	91,312	100	170,771		262,183
TOTAL ASSETS	\$ 4,397,318	\$ 13,053,606	\$ 5,274,035	\$ 1,283,182	\$ 24,008,141
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Checks written against future deposits	\$ 308,877	\$ 476,913	\$	\$	\$ 785,790
Accounts payable	467,250	1,389,760	148,694	26,390	2,032,094
Accrued salaries and related items	161,250	1,955,012	637,306		2,753,568
Due to local school districts	3,740	6,325,916	157,267		6,486,923
Deferred revenue	1,009,359	266,993	122,297		1,398,649
Reserve for School Based Health Services		2,195,787			2,195,787
TOTAL LIABILITIES	1,950,476	12,610,381	1,065,564	26,390	15,652,811

		Special revenue		Other nonmajor governmental funds - 2003 Capital Projects fund	Total governmental funds
	General fund	Special education fund	Career services and technical education fund		
FUND BALANCES:					
Reserved for:					
Prepaid expenditures and deposits	\$ 91,312	\$ 100	\$ 170,771	\$	\$ 262,183
Unreserved:					
Designated for subsequent year's expenditures	809,738		1,081,948		1,891,686
Undesignated	1,545,792	443,125	2,955,752	1,256,792	6,201,461
TOTAL FUND BALANCES	2,446,842	443,225	4,208,471	1,256,792	8,355,330
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,397,318	\$ 13,053,606	\$ 5,274,035	\$ 1,283,182	\$ 24,008,141
Total governmental fund balances					\$ 8,355,330

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 17,964,014	
Accumulated depreciation is				<u>(9,827,458)</u>	8,136,556
Deferred revenue expected to be collected after September 1, 2007					287,557
Long-term liabilities are not due and payable in the current period and are not reported in the funds					
Bonds payable					(2,813,014)
Compensated absences and termination benefits					(1,058,000)
Accrued interest is not included as a liability in government funds, it is recorded when paid					<u>(486,936)</u>
Net assets of governmental activities					<u>\$ 12,421,493</u>

See notes on financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

		<u>Special revenue funds</u>		<u>Other nonmajor governmental funds - 2003 Capital Projects fund</u>	<u>Total governmental funds</u>
	<u>General fund</u>	<u>Special education fund</u>	<u>Career services and technical education fund</u>		
REVENUES AND OTHER FINANCING SOURCES:					
Local:					
Property taxes	\$ 1,648,193	\$ 39,213,771	\$ 7,961,367	\$	\$ 48,823,331
Other	872,077	3,121,030	435,372	44,806	4,473,285
Total local sources	2,520,270	42,334,801	8,396,739	44,806	53,296,616
State sources	3,026,343	14,315,795	260,427		17,602,565
Federal sources		684,821			684,821
Incoming transfers and other transactions	3,303,356	192,051	171,777	546,999	4,214,183
	8,849,969	57,527,468	8,828,943	591,805	75,798,185
Grants	2,872,973	10,935,225	1,236,560		15,044,758
Total revenues and other financing sources	11,722,942	68,462,693	10,065,503	591,805	90,842,943
EXPENDITURES AND OTHER FINANCING USES:					
Instructional programs	3,048,742	4,725,536	3,681,564		11,455,842
Support services	4,953,390	23,942,132	4,760,644		33,656,166
Outgoing transfers and other	966,717	28,916,575	578,377	443,336	30,905,005
	8,968,849	57,584,243	9,020,585	443,336	76,017,013
Grants	2,872,973	10,935,225	1,236,560		15,044,758
Total expenditures and other financing uses	11,841,822	68,519,468	10,257,145	443,336	91,061,771
NET CHANGE IN FUND BALANCES	(118,880)	(56,775)	(191,642)	148,469	(218,828)
FUND BALANCES:					
Beginning of year	2,565,722	500,000	4,400,113	1,108,323	8,574,158
End of year	\$ 2,446,842	\$ 443,225	\$ 4,208,471	\$ 1,256,792	\$ 8,355,330

See notes to financial statements.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds	\$ (218,828)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(445,569)
Capital outlay	528,820
Loss on disposal of fixed assets	(3,913)

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	395,403
Accrued interest payable, end of the year	(486,936)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(286,246)
Deferred revenue, end of the year	287,557

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences and termination benefits, beginning of the year	964,000
Compensated absences and termination benefits, end of the year	<u>(1,058,000)</u>

Change in net assets of governmental activities	<u><u>\$ (323,712)</u></u>
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**INGHAM INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2007**

ASSETS

ASSETS:

Cash on hand and in bank	\$ 46,916
Accounts receivable	<u>723</u>
TOTAL ASSETS	<u>\$ 47,639</u>

LIABILITIES

LIABILITIES:

Accounts payable	\$ 2,279
Due to student and other groups	<u>45,360</u>
TOTAL LIABILITIES	<u>\$ 47,639</u>

INGHAM INTERMEDIATE SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Ingham Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Ingham Intermediate School District (the "District") is governed by the Ingham Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and proprietary funds, the latter are also included in government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Special revenue funds:

The *special education fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *career services and technical education fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

Other Non-major Funds

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Categorical Revenue

The District receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$603,992 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills levied *	T.E.V (billions)
General fund		
General education	0.1894	8.8
Special revenue funds:		
Special education	4.5062	8.8
Career services and technical education fund	1.2925	6.2

* Levied mills are net of Headlee rollback.

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

5. Formal budgetary integration is employed as a management control device during the year for the general, special education and career services and technical education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Cost	Weighted average maturity (years)	Standard & Poor's Rating	%
Commercial paper	<u>\$ 14,523,798</u>	0.0470	A1	<u>100%</u>
Portfolio weighted average maturity		<u>0.0470</u>		

1 day maturity equals 0.0027, one year equals 1.00, .047 equals approximately 17 days.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$2,314,483 of the District's bank balance of \$2,482,101 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all deposits is \$1,028,345.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of credit risk - investments. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$46,916	\$ 1,028,345
Investments	<u>14,523,798</u>
	<u><u>\$ 15,552,143</u></u>

The above amounts are reported in the financial statements as follows:

Cash - fiduciary fund	\$ 46,916
Cash - district-wide	981,429
Investments - district-wide	<u>14,523,798</u>
	<u><u>\$ 15,552,143</u></u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets not being depreciated - land	\$ 373,292	\$	\$	\$ 373,292
Other capital assets:				
Land improvements	1,288,910			1,288,910
Buildings and additions	13,924,071	461,683		14,385,754
Equipment	1,888,912	67,137	39,991	1,916,058
Subtotal	17,101,893	528,820	39,991	17,590,722
Accumulated depreciation:				
Land improvements	687,027	58,001		745,028
Buildings and additions	7,710,833	270,479		7,981,312
Equipment	1,020,107	117,089	36,078	1,101,118
Subtotal	9,417,967	445,569	36,078	9,827,458
Net capital assets	<u>\$ 8,057,218</u>	<u>\$ 83,251</u>	<u>\$ 3,913</u>	<u>\$ 8,136,556</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$445,569. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM DEBT

The District issues general and limited obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt currently outstanding is as follows:

1998 limited obligation bonds (Durant) with annual installments of \$265,136 to \$1,632,764 through May 1, 2013 plus interest at 4.76%. Certain future state aid payments have been pledged as security.	\$ 2,813,014
Compensated absences and termination benefits	<u>1,058,000</u>
	<u>\$ 3,871,014</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

The annual payments to amortize the limited obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 265,136	\$ 69,421	\$ 334,557
2010	1,632,764	615,018	2,247,782
2011	290,977	43,572	334,549
2012	304,814	29,717	334,531
2013	319,323	15,204	334,527
	<u>\$ 2,813,014</u>	<u>\$ 772,932</u>	<u>\$ 3,585,946</u>

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2007.

	Limited obligation bond (Durant)	Termination benefits	Total
Balance, July 1, 2006	\$ 2,813,014	\$ 964,000	\$ 3,777,014
Additions	<u> </u>	<u>94,000</u>	<u>94,000</u>
Balance, June 30, 2007	2,813,014	1,058,000	3,871,014
Less current portion	<u> </u>	<u>(100,000)</u>	<u>(100,000)</u>
Total due after one year	<u>\$ 2,813,014</u>	<u>\$ 958,000</u>	<u>\$ 3,771,014</u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - GRANTS

The District receives numerous grants in furtherance of its educational purposes. Sources of grants for the year ended June 30, 2007 are as follows:

Source	General Education	Special Education	Career Services and Technical Education	Total
Local	\$ 961,860	\$ 12,574	\$ 75,008	\$ 1,049,442
State	185,624			185,624
Federal	1,725,489	10,922,651	1,161,552	13,809,692
Totals	<u>\$ 2,872,973</u>	<u>\$ 10,935,225</u>	<u>\$ 1,236,560</u>	<u>\$ 15,044,758</u>

Local sources include local governments, private industries and foundations.

NOTE 7 - TRANSFERS

The general fund transferred \$546,999 to the capital projects fund for future capital projects.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34% of payroll through September 30, 2006, and 17.74% effective for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$3,776,000, \$3,349,000 and \$2,970,000, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-retirement benefits which is the responsibility of the State of Michigan.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

REQUIRED SUPPLEMENTARY INFORMATION

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget - positive (negative)</u>
REVENUES AND OTHER FINANCING SOURCES:				
Local sources	\$ 2,601,890	\$ 2,493,513	\$ 2,520,270	\$ 26,757
State sources	2,539,198	2,984,644	3,026,343	41,699
Incoming transfers and other transactions	<u>3,135,515</u>	<u>3,337,626</u>	<u>3,303,356</u>	<u>(34,270)</u>
	8,276,603	8,815,783	8,849,969	34,186
Grants	<u>2,509,741</u>	<u>2,872,822</u>	<u>2,872,973</u>	<u>151</u>
Total revenues and other financing sources	<u>10,786,344</u>	<u>11,688,605</u>	<u>11,722,942</u>	<u>34,337</u>
EXPENDITURES AND OTHER FINANCING USES:				
Instructional programs	2,958,604	3,078,640	3,048,742	29,898
Support services	4,734,044	5,110,724	4,953,390	157,334
Outgoing transfer and other	<u>1,093,175</u>	<u>991,517</u>	<u>966,717</u>	<u>24,800</u>
	8,785,823	9,180,881	8,968,849	212,032
Grants	<u>2,509,741</u>	<u>2,872,822</u>	<u>2,872,973</u>	<u>(151)</u>
Total expenditures and other financing uses	<u>11,295,564</u>	<u>12,053,703</u>	<u>11,841,822</u>	<u>211,881</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (509,220)</u></u>	<u><u>\$ (365,098)</u></u>	<u>(118,880)</u>	<u><u>\$ 246,218</u></u>
FUND BALANCE:				
Beginning of year			<u>2,565,722</u>	
End of year			<u><u>\$2,446,842</u></u>	

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES AND OTHER FINANCING SOURCES:				
Local sources	\$ 41,209,076	\$ 41,234,118	\$ 42,334,801	\$ 1,100,683
State sources	14,410,947	14,312,700	14,315,795	3,095
Federal sources	681,696	577,632	684,821	107,189
Incoming transfers and other transactions	182,172	196,635	192,051	(4,584)
	56,483,891	56,321,085	57,527,468	1,206,383
Grants	10,848,428	11,013,611	10,935,225	(78,386)
Total revenues and other financing sources	67,332,319	67,334,696	68,462,693	1,127,997
EXPENDITURES AND OTHER FINANCING USES:				
Instructional programs	5,037,369	4,843,545	4,725,536	118,009
Support services	24,945,543	24,752,886	23,942,132	810,754
Outgoing transfers and other	26,500,979	26,781,429	28,916,575	(2,135,146)
	56,483,891	56,377,860	57,584,243	(1,206,383)
Grants	10,848,428	11,013,611	10,935,225	78,386
Total expenditures and other financing uses	67,332,319	67,391,471	68,519,468	(1,127,997)
NET CHANGE IN FUND BALANCE	\$ -	\$ (56,775)	(56,775)	\$ -
FUND BALANCE:				
Beginning of year			500,000	
End of year			\$ 443,225	

**INGHAM INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAREER SERVICES AND TECHNICAL EDUCATION FUND
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget - positive (negative)</u>
REVENUES AND OTHER FINANCING SOURCES:				
Local sources	\$ 8,195,881	\$ 8,211,374	\$ 8,396,739	\$ 185,365
State sources	239,861	246,844	260,427	13,583
Incoming transfers and other transactions	242,771	205,113	171,777	(33,336)
	<u>8,678,513</u>	<u>8,663,331</u>	<u>8,828,943</u>	<u>165,612</u>
Grants	1,208,011	1,232,630	1,236,560	3,930
	<u>9,886,524</u>	<u>9,895,961</u>	<u>10,065,503</u>	<u>169,542</u>
Total revenues and other financing sources				
EXPENDITURES AND OTHER FINANCING USES:				
Instructional programs	3,793,130	3,790,904	3,681,564	109,340
Support services	4,877,955	4,974,864	4,760,644	214,220
Outgoing transfers and other	739,412	567,376	578,377	(11,001)
	<u>9,410,497</u>	<u>9,333,144</u>	<u>9,020,585</u>	<u>312,559</u>
Grants	1,208,011	1,232,630	1,236,560	(3,930)
	<u>10,618,508</u>	<u>10,565,774</u>	<u>10,257,145</u>	<u>308,629</u>
Total expenditures and other financing uses				
NET CHANGE IN FUND BALANCE	<u>\$ (731,984)</u>	<u>\$ (669,813)</u>	<u>(191,642)</u>	<u>\$ 478,171</u>
FUND BALANCE:				
Beginning of year			<u>4,400,113</u>	
End of year			<u>\$ 4,208,471</u>	

ADDITIONAL INFORMATION

**INGHAM INTERMEDIATE SCHOOL DISTRICT
TAX SUMMARY - 2006 LEVY
YEAR ENDED JUNE 30, 2007**

	2006 Taxes levied - net of TV changes through 06/30/07	Taxes collected	Balance due 06/30/07
General education fund:			
Ingham County	\$ 1,377,932	\$ 1,373,493	\$ 4,439
Eaton County	153,819	153,406	413
Clinton County	73,031	72,933	98
Livingston County	19,697	19,524	173
Jackson County	18,162	18,063	99
Washtenaw County	4,319	4,022	297
Shiawassee County	1,220	1,213	7
Total general education fund	1,648,180	1,642,654	5,526
Special revenue funds:			
Special education fund:			
Ingham County	32,783,788	32,678,492	105,296
Eaton County	3,659,658	3,649,806	9,852
Clinton County	1,737,551	1,735,222	2,329
Livingston County	468,625	464,505	4,120
Jackson County	432,112	429,761	2,351
Washtenaw County	102,760	95,696	7,064
Shiawassee County	29,015	28,846	169
Total special education fund	39,213,509	39,082,328	131,181
Career services and technical education fund:			
Ingham County	6,402,860	6,387,784	15,076
Eaton County	966,074	963,820	2,254
Clinton County	296,239	296,025	214
Livingston County	134,415	133,233	1,182
Jackson County	123,942	123,268	674
Washtenaw County	29,475	27,449	2,026
Shiawassee County	8,322	8,273	49
Total career services and technical education fund	7,961,327	7,939,852	21,475
Total special revenue funds	47,174,836	47,022,180	152,656
TOTAL ALL FUNDS	\$ 48,823,016	\$ 48,664,834	\$ 158,182

**INGHAM INTERMEDIATE SCHOOL DISTRICT
TAX SUMMARY - 2006 LEVY
YEAR ENDED JUNE 30, 2007**

	2006 Taxes levied - net of TV changes through 06/30/07	Taxes collected	Balance due 06/30/07
Combined (all funds):			
Ingham County	\$ 40,564,580	\$ 40,439,769	\$ 124,811
Eaton County	4,779,551	4,767,032	12,519
Clinton County	2,106,821	2,104,180	2,641
Livingston County	622,737	617,262	5,475
Jackson County	574,216	571,092	3,124
Washtenaw County	136,554	127,167	9,387
Shiawassee County	38,557	38,332	225
	<u>\$ 48,823,016</u>	<u>\$ 48,664,834</u>	<u>158,182</u>
Prior years:			
Uncollected, beginning of year			196,987
Collections/SEV changes/write-offs			<u>1,725</u>
Uncollected, end of year			<u>198,712</u>
Total taxes receivable			<u>\$ 356,894</u>

INGHAM INTERMEDIATE SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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Lamonte T. Lator
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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Ingham Intermediate School District
Mason, Michigan

October 8, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ingham Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Ingham Intermediate School District's basic financial statements and have issued our report thereon dated October 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ingham Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ingham Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ingham Intermediate School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

October 8, 2007

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ingham Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ingham Intermediate School District in a separate letter dated October 8, 2007.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Ingham Intermediate School District
Mason, Michigan

October 8, 2007

Compliance

We have audited the compliance of Ingham Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. Ingham Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Ingham Intermediate School District's management. Our responsibility is to express an opinion on Ingham Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ingham Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ingham Intermediate School District's compliance with those requirements.

In our opinion, Ingham Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Ingham Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ingham Intermediate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Ingham Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

To the Board of Education
Ingham Intermediate School District

October 8, 2007

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ingham Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Ingham Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mamie Costeniser & Ellis, P.C.

Certified Public Accountants

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at July 1, 2006	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	(deferred) revenue at June 30, 2007
<u>U. S. Department of Labor:</u>								
Passed through Capital Area Michigan Works!:								
Workforce Investment Act	17.255							
		5174	\$ 194,661	\$ 35,043	\$ 185,044	\$ 35,043	\$ -	\$ -
		5171	84,337	13,820	84,337	13,820		-
		6174	310,159		-	255,047	310,159	55,112
		6171	195,668		-	151,921	180,421	28,500
			<u>784,825</u>	<u>48,863</u>	<u>269,381</u>	<u>455,830</u>	<u>490,580</u>	<u>83,612</u>
Employment Service	17.207							
		5175ES	378,495	53,477	378,495	53,477		0
		5175RES	32,647	2,769	32,647	2,769		0
		5175INTERNS	54,748	10,514	54,748	-	-	10,514
		6175ES	378,495		-	298,006	365,043	67,037
		6175INTERNS	54,748		-	47,982	54,748	6,766
			<u>899,133</u>	<u>66,760</u>	<u>465,890</u>	<u>402,234</u>	<u>419,791</u>	<u>84,317</u>
Passed through SVRC Industries:								
MI Connections	17.72	E-9-4-3-0069	9,252	(9,252)	-	-	-	(9,252)
TOTAL U.S. DEPARTMENT OF LABOR			<u>1,693,210</u>	<u>106,371</u>	<u>735,271</u>	<u>858,064</u>	<u>910,371</u>	<u>158,677</u>
<u>U. S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010							
		051530-0405	66,255	-	9,537	-	-	-
		051530-0506	56,703	11,225	35,812	11,225		-
		061530-0506	17,926	17	17	6,852	6,835	-
		061530-0607	36,855	-	-	21,604	36,855	15,251
		071530-0607	33,255	-	-	2,122	3,118	996
			<u>210,994</u>	<u>11,242</u>	<u>45,366</u>	<u>41,803</u>	<u>46,808</u>	<u>16,247</u>

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at July 1, 2006	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	(deferred) revenue at June 30, 2007
<u>U. S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.013	061700-0506	\$ 89,088	\$ 2,561	\$ 33,614	\$ 35,713	\$ 33,152	\$ (1)
		061700-0607	22,322	-	-	22,322	22,322	-
		071700-0607	75,495	-	-	26,622	41,412	14,790
			<u>186,905</u>	<u>2,561</u>	<u>33,614</u>	<u>84,657</u>	<u>96,885</u>	<u>14,789</u>
Innovative Education Program Strategies	84.298	060250-0506	15,557	435	4,440	2,072	1,637	-
		060250-0607	18,150	-	-	18,150	18,150	-
		070250-0607	11,541	-	-	1,502	1,529	27
			<u>45,248</u>	<u>435</u>	<u>4,440</u>	<u>21,724</u>	<u>21,316</u>	<u>27</u>
Title II, Part D Technology Literacy Challenge	84.318	064250-2	1,000,000	-	104,515	602,285	895,485	293,200
		074250-2C	1,000,000	-	-	207,075	488,077	281,002
			<u>2,000,000</u>	<u>-</u>	<u>104,515</u>	<u>809,360</u>	<u>1,383,562</u>	<u>574,202</u>
Title II, Part A Professional Development	84.367	060520-0607	962	-	-	500	549	49
		070520-0607	962	-	-	-	-	-
			<u>1,924</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>549</u>	<u>49</u>

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at July 1, 2006	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	(deferred) revenue at June 30, 2007
<u>U. S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Special Education Cluster:								
Special Ed - IDEA	84.027							
		050450-0506	\$ 9,590,422	\$ 124,503	\$ 378,308	\$ 124,504		\$ (1)
		060450-0506	9,693,973	1,331,211	8,389,506	1,331,211	-	(0)
		060450-0607	142,812	-	-	71,065	142,812	71,747
		070450-0607	9,867,289	-	-	7,569,199	9,700,640	2,131,441
		070480-0607	60,000	-	-	52,720	60,000	7,280
		070490-0607	105,000	-	-	105,000	105,000	-
			<u>29,459,496</u>	<u>1,455,714</u>	<u>8,767,814</u>	<u>9,253,699</u>	<u>10,008,452</u>	<u>2,210,468</u>
Special Ed - Preschool	84.173							
		060460-0506	352,140	28,619	350,072	28,619		(0)
		060460-0607	2,068	-	-	2,068	2,068	-
		070460-0607	345,044	-	-	186,069	342,487	156,417
			<u>699,252</u>	<u>28,619</u>	<u>350,072</u>	<u>216,757</u>	<u>344,555</u>	<u>156,417</u>
Special Education - Infants & Toddlers-IDEA Part C	84.181							
		061340-190	407,956	17,549	326,610	82,056	81,346	16,839
		071340-190	422,759	-	-	263,449	336,854	73,405
			<u>830,715</u>	<u>17,549</u>	<u>326,610</u>	<u>345,505</u>	<u>418,200</u>	<u>90,243</u>
Reading First	84.357	072910-0607	250,000	-	-	184,042	250,000	65,958
Total Passed through Michigan Department of Education			<u>33,684,534</u>	<u>1,516,120</u>	<u>9,632,431</u>	<u>10,958,049</u>	<u>12,570,328</u>	<u>3,128,400</u>

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at July 1, 2006	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	(deferred) revenue at June 30, 2007
<u>U. S. Department of Education:</u>								
Passed through Other Agencies:								
START	84.027	220017-354100	\$ -	\$ 19,381	\$ 19,381	\$ 22,326	\$ 2,937	\$ (8)
				-	-	-	4,813	4,813
			-	19,381	19,381	22,326	7,750	4,805
Carl D. Perkins	84.048							
		63520	212,200	100,932	21,200	100,932	-	-
		73520	207,205	-	-	119,858	207,204	87,346
			419,405	100,932	21,200	220,790	207,204	87,346
Perkins - Tech Prep	84.243							
		871221-0405	23,778	21,817	30,081	21,817	-	(0)
		871221-0506	23,084	-	-	19,734	43,977	24,243
			46,862	21,817	30,081	41,551	43,977	24,243
Total Passed through Other Agencies			466,267	142,130	70,662	284,667	258,931	116,394
TOTAL U.S. DEPARTMENT OF EDUCATION			34,150,801	1,658,250	9,703,093	11,242,716	12,829,260	3,244,794
<u>National Science Foundation</u>								
Passed through Michigan State University:								
PROM/SE	47.076	EHR0314866	196,471	27,344	71,828	68,911	64,926	23,358
Problem Based Learning	47.076	61-223211	4,610	1,604	7,578	1,604	3,071	3,071
Total National Science Foundation			201,081	28,948	79,406	70,515	67,997	26,430

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue at July 1, 2006	Prior year(s) expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	(deferred) revenue at June 30, 2007
<u>Homeland Security</u>								
Passed through CEMA Homeland Security	97.004		\$ 2,065	\$ -	\$ -	\$ 2,065	\$ 2,065	\$ -
<u>U.S. Department of Health and Human Services:</u>								
Passed through State of Michigan:								
Medicaid - Transportation	93.778			195,390	347,216	197,688	175,060	172,762
Medicaid - Outreach				(1,457,183)	288,790	392,840	467,360	(1,382,663)
Total U.S. Department of Health and Human Services			-	(1,261,793)	636,006	590,528	642,420	(1,209,901)
TOTAL FEDERAL AWARDS			\$ 36,047,157	\$ 531,776	\$ 11,153,776	\$ 12,763,888	\$ 14,452,112	\$ 2,220,000

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass- through number	Subrecipient award/contract amount	Due to (from) subrecipient July 1, 2006	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients June 30, 2007
<u>PASS-THROUGH GRANTEE</u>								
<u>SPECIAL EDUCATION - IDEA</u>								
Holt Public Schools	84.027	060450-0506	2H-594	\$ 1,286,651	\$ 65,547	\$ -	\$ 65,547	\$ -
Lansing School District	84.027	050450-0405	2H-595	378,308	124,503	-	124,503	-
		060450-0506	2H-594	7,554,426	1,640,194		1,640,194	-
		060450-0506	2H-595	142,812	-	142,812	91,509	51,303
		070450-0607	H594	8,815,947		8,815,947	6,884,647	1,931,301
				16,891,493	1,764,697	8,958,759	8,740,853	1,982,603
Mason Public Schools	84.027	060450-0506	2H-594	377,896	48,428	-	48,428	-
		070450-0607	2H-594	384,693		384,693	263,898	120,795
				762,589	48,428	384,693	312,326	120,795
Waverly Community Schools	84.027	060450-0506	2H-594	475,000	77,042	-	77,042	-
		070450-0607	2H-594	500,000		500,000	420,655	79,345
				975,000	77,042	500,000	497,697	79,345
Total special education - IDEA				\$ 19,915,733	\$ 1,955,714	\$ 9,843,452	\$ 9,616,423	\$ 2,182,744
<u>PASS-THROUGH GRANTEE</u>								
<u>PRESCHOOL - IDEA</u>								
Dansville Schools	84.173	060460-0506	2H-523	\$ 1,984	\$ 1,984	\$ -	\$ 1,984	\$ -
		070460-0607	2H-523	493		493	493	-
				2,477	1,984	493	2,477	-
East Lansing Public Schools	84.173	060460-0506	2H-523	21,822	12,829	-	12,829	-
		070460-0607	2H-523	20,708		20,708	11,780	8,928
				42,530	12,829	20,708	24,609	8,928

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass- through number	Subrecipient award/contract amount	Due to (from) subrecipient July 1, 2006	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients June 30, 2007
<u>PASS-THROUGH GRANTEE</u>								
<u>PRESCHOOL - IDEA</u>								
Haslett Public Schools	84.173	060460-0506 070460-0607	2H-523 2H-523	\$ 15,871	\$ 15,871	\$ -	\$ 15,871	\$ -
				18,736		18,736	-	18,736
				34,607	15,871	18,736	15,871	18,736
Holt Public Schools	84.173	060460-0506 070460-0607	2H-523 2H-523	36,205	6,887	-	6,887	-
				35,007		35,007	26,230	8,777
				71,212	6,887	35,007	33,117	8,777
Lansing School District	84.173	060460-0506 070460-0607	2H-523 2H-523	163,666	22,878	-	22,878	-
				158,271		158,271	129,023	29,248
				321,937	22,878	158,271	151,901	29,248
Leslie Public Schools	84.173	060460-0506 070460-0607	2H-523 2H-523	20,830	20,830		20,830	-
				11,340		11,340	-	11,340
				32,170	20,830	11,340	20,830	11,340
Mason Public Schools	84.173	060460-0506 070460-0607	2H-523 2H-523	17,359	783	-	783	-
				18,243		18,243	11,105	7,138
				35,602	783	18,243	11,888	7,138
Okemos Public Schools	84.173	070460-0607	2H-523	20,708		20,708	20,708	-
Stockbridge Public Schools	84.173	060460-0506 070460-0607	2H-523 2H-523	2,976	2,976		2,976	-
				6,410		6,410	6,410	-
				9,386	2,976	6,410	9,386	-

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

Program title/grant number subrecipient name	Federal CFDA number	State pass- through number	Intermediate pass- through number	Subrecipient award/contract amount	Due to (from) subrecipient July 1, 2006	Subrecipient current year expenditures	Current year cash transferred to subrecipient	Due to (from) subrecipients June 30, 2007
<u>PASS-THROUGH GRANTEE</u>								
<u>PRESCHOOL - IDEA</u>								
Waverly Community Schools	84.173	060460-0506	2H-523	\$ 22,814	\$ 4,209	\$ -	\$ 4,209	\$ -
		070460-0607	2H-523	22,188		22,188	17,062	5,126
				45,002	4,209	22,188	21,271	5,126
Webberville Community Schools	84.173	060460-0506	2H-523	3,968	3,968	-	3,968	-
		070460-0607	2H-523	5,424		5,424		5,424
				9,392	3,968	5,424	3,968	5,424
Williamston Community Schools	84.173	060460-0506	2H-523	13,887	13,887	-	13,887	-
		070460-0607	2H-523	13,806		13,806	8,209	5,597
				27,693	13,887	13,806	22,096	5,597
Total preschool - IDEA				\$ 652,716	\$ 107,102	\$ 331,334	\$ 338,123	\$ 100,313

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
PASS-THROUGH AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

PASS-THROUGH GRANTEE

<u>Program title/grant number subrecipient name</u>	<u>Federal CFDA number</u>	<u>Intermediate pass- through number</u>	<u>Subrecipient current year expenditures</u>	<u>Current year cash transferred to subrecipient</u>	
<u>MEDICAID OUTREACH</u>					
Outreach	93.778				
Department of Community health			\$ 16,601	\$ 16,601	-
Capital Area Academy		22-294	362	288	
Cole Academy		22-294	1,231	978	
Dansville Schools		22-294	10,692	8,447	
East Lansing Public Schools		22-294	26,172	20,754	
Haslett Public Schools		22-294	22,260	17,406	
Holt Public Schools		22-294	58,144	44,834	
Lansing School District		22-294	163,247	128,125	
Leslie Public Schools		22-294	7,622	5,916	
Mason Public Schools		22-294	34,741	26,015	
Mid-Michigan Leadership Academy		22-294	2,172	1,726	
New City Academy		22-294	2,172	1,726	
Okemos Public Schools		22-294	41,545	31,496	
Sankofa Shule Pubic School Academy		22-294	73	58	
Stockbridge Public Schools		22-294	10,298	8,053	
Waverly Community Schools		22-294	36,078	28,625	
Webberville Community Schools		22-294	7,349	5,829	
White Pine Academy		22-294	1,810	1,438	
Williamston Community Schools		22-294	24,574	19,800	
Windemere Park		22-294	217	173	
Total Medicaid outreach			<u>\$ 467,360</u>	<u>\$ 368,288</u>	

The accompanying notes are an integral part of this schedule.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activities of Ingham Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and reconciles with the amounts in the preparation of the financial statements.
2. CFDA Programs Special Education Cluster 84.027 and 84.173, Medicaid 93.778, Title II, Part D 84.318 and Workforce Investment Act 17.255 were audited as major programs representing 89% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$433,563.
4. Expenditures in this schedule have been reconciled with Michigan Department of Education financial reports (DS4044, DS4092A, and other applicable reports).
5. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal revenue is reported in the following funds in the financial statements:

Total grants:	
General fund	\$ 2,872,973
Special education fund	10,935,225
Career services and technical education	<u>1,236,560</u>
Total grants	15,044,758
Less non-federal grants	
Local	(1,049,442)
State	<u>(185,624)</u>
Total federal grants	13,809,692
Federal revenue per financial statements	684,821
Less set aside for reserve - medicaid transportation	<u>(42,401)</u>
Total federal expenditures	<u><u>\$ 14,452,112</u></u>

7. Subrecipients - Of the federal expenditures presented in the schedule of expenditures of federal awards, Ingham Intermediate School District provided federal awards to subrecipients reported in the enclosed schedule of pass through amounts.
8. The expenditures reported for CFDA #93.778 Medicaid Outreach are equal to the revenues received. Revenue continues to be deferred due to the uncertainties that exist resulting from the possible repayments that may have to be made in the future due to the back casting process being performed by the State of Michigan.

9. Total special education cluster	
	84.027 \$ 10,008,452
	84.173 344,555
	84.027 <u>7,750</u>
	<u><u>\$ 10,360,757</u></u>

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster
93.778	Medicaid
17.255	Workforce Investment Act
84.318	Title II, Part D

Dollar threshold used to distinguish between type A and type B programs:

\$ 433,563

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

No matters were reported for the year ended June 30, 2007.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted for the year ended June 30, 2007.

**INGHAM INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no findings for the prior two years.



Lamonte T. Lator
Bruce J. Dunn
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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 8, 2007

To the Board of Education
Ingham Intermediate School District
Mason, Michigan

In planning and performing our audit of the financial statements of Ingham Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Ingham Intermediate School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 8, 2007 on the financial statements of Ingham Intermediate School District. We will review the status of these comments during our next audit engagement.

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

To the Board of Education
Ingham Intermediate School District
Mason, Michigan

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October 8, 2007

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Ingham Intermediate School District, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mary Costenaro & Ellis, P.C.



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October 8, 2007

To the Audit Committee
Ingham Intermediate School District
Mason, Michigan

We have audited the financial statements of Ingham Intermediate School District for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated April 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Ingham Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Ingham Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Ingham Intermediate School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Ingham Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Ingham Intermediate School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ingham Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2007. We noted no transactions entered into by Ingham Intermediate School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is the calculation of compensated absences and termination benefits.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ingham Intermediate School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ingham Intermediate School District, either individually or in the aggregate, indicate matters that could have a significant effect on the Ingham Intermediate School District's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ingham Intermediate School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have discussed SAS #112 and the ability of the District's personnel to independently prepare the external audit report including all required financial statement disclosures.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of Board of Education, management, and the federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mary Costeniser & Ellis, P.C.